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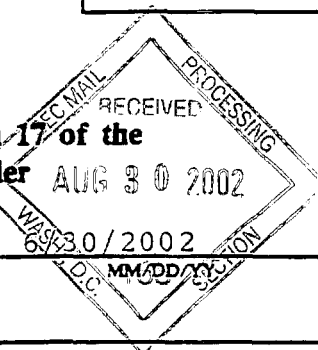
**ANNUAL AUDITED REPORT
FORM X-17A-5
PART III**

FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING 7/1/2001 AND ENDING 6/30/2002

MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER:

Perpetual Securities, Inc.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

221 Canal Street, Suite 509

(No. and Street)

New York

(City)

NY 10013

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Cathy Huang

(212) 965-0157

(Area Code — Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Wei Wei, & Co., LLP

(Name — if individual, state last, first, middle name)

133-10 39th Ave., Flushing, NY 11354

(Address)

(City)

(State)

PROCESSED

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THOMSON
FINANCIAL

CHECK ONE:

- ☒ Certified Public Accountant
☐ Public Accountant
☐ Accountant not resident in United States or any of its possessions.

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*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

AFFIRMATION

I, Cathy Huang, affirm that, to the best of my knowledge and belief the accompanying financial statements and supplemental schedule pertaining to Perpetual Securities, Inc. for the year ended June 30, 2002, are true and correct. I further affirm that neither Perpetual Securities, Inc. nor any officer or director has any propriety interest in any account classified solely as that of a customer.

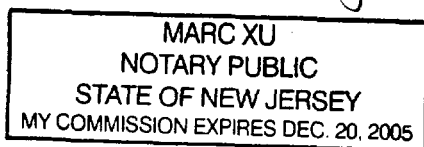
Cathy Huang 8/27/02
Cathy Huang Date

Chief Financial Officer
Title

Mh Xu

Notary Public

Aug. 27, 2002





PERPETUAL SECURITIES, INC.
(SEC File No. 8-47512)

**Financial Statements and Supplemental
Schedule for the Year Ended June 30, 2002
and Independent Auditors' Report and
Supplemental Report on Internal Control Structure**

PERPETUAL SECURITIES, INC.

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INDEPENDENT AUDITORS' REPORT

Board of Directors and
Stockholders of
Perpetual Securities, Inc.

We have audited the accompanying statement of financial condition of Perpetual Securities, Inc. as of June 30, 2002, and the related statements of income, cash flow and changes in stockholders' equity for the year then ended that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of Perpetual Securities, Inc. as of June 30, 2002, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in the computation of net capital for brokers and dealers is presented for purpose of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by Rule 17a-5 under the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

Wei Wei & Co. LLP

August 27, 2002

PERPETUAL SECURITIES, INC.

STATEMENT OF FINANCIAL CONDITION JUNE 30, 2002

ASSETS

Cash	\$	182,094
Receivable from clearing organization		8,231
Securities - at market value (<i>Note 3</i>):		1,610
Property and equipment, net of accumulated depreciation of \$ 196,190 (<i>Notes 2 and 4</i>)		72,664
Deferred income taxes (<i>Notes 2 and 9</i>)		107,835
Other assets		4,859
TOTAL ASSETS		\$ 377,293

LIABILITIES AND STOCKHOLDERS' EQUITY

LIABILITIES:

Accounts payable	\$	7,558
Loans from stockholders (<i>Note 5</i>)		34,712
Total current liabilities		42,270
Liability subordinated to the claims of general creditors (<i>Note 6</i>)		220,000
		262,270

COMMITMENTS AND CONTINGENCIES (*Notes 6, 7, and 10*)

-

STOCKHOLDERS' EQUITY:

Common stock, no par value; authorized 200 shares, issued and outstanding 2 shares		6
Additional paid-in capital		333,522
Accumulated deficit		(218,505)
		115,023
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$	377,293

See accompanying notes to financial statements.

PERPETUAL SECURITIES, INC.

STATEMENT OF INCOME FOR THE YEAR ENDED JUNE 30, 2002

REVENUES:

Commissions	\$	173,012
Interest		1,644
Other		21,270

TOTAL REVENUES		195,926
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EXPENSES:

Clearing fees		52,587
Communication and data processing		5,888
Trading losses, net		48,025
Commissions		19,658
Service expenses		16,603
Occupancy		89,169
Professional and consultant fees		5,091
Interest		877
Office supplies		24,538
Other operating expenses		69,422

TOTAL EXPENSES		331,858
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Loss before income taxes		(135,932)
Benefit from income taxes <i>(Notes 2 and 9)</i>		44,688

NET LOSS	\$	(91,244)
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See accompanying notes to financial statements.

PERPETUAL SECURITIES, INC.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2002

CASH FLOWS FROM OPERATING ACTIVITIES:

Net loss	\$ (91,244)
Adjustment to reconcile net loss to net cash provided by (used in) operating activities:	
Depreciation	30,282
Deferred income taxes	(45,143)
Decrease in receivable from clearing organization	10,912
Increase in accounts payable	2,619
Net cash (used in) operating activities	(92,574)

CASH FLOWS FROM INVESTING ACTIVITIES:

Net proceeds from sale of securities	58,595
Purchase of property and equipment	(8,434)
Net cash provided by investing activities	50,161

CASH FLOWS FROM FINANCING ACTIVITIES:

Borrowings from subordinated loans	100,000
Loans from stockholders	33,769
Net cash provided by financing activities	133,769

NET CHANGE IN CASH	91,356
CASH AT THE BEGINNING OF YEAR	90,738
CASH AT THE END OF YEAR	\$ 182,094

See accompanying notes to financial statements.

PERPETUAL SECURITIES, INC.

STATEMENT OF CASH FLOWS (continued)
FOR THE YEAR ENDED JUNE 30, 2002

SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION:

Cash paid for interest	\$	877
Cash paid for income taxes	\$	455

SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING ACTIVITIES:

Unrealized gains on securities	\$	1,575
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See accompanying notes to financial statements.

PERPETUAL SECURITIES, INC.

**STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEAR ENDED JUNE 30, 2002**

	Common Stock		Additional Paid-in Capital		Accumulated Deficit		Total Stockholders' Equity
Balance, July 1, 2001	\$	6	\$	333,522	\$	(127,261)	\$ 206,267
Net loss		-		-		(91,244)	(91,244)
Balance, June 30, 2002	\$	6	\$	333,522	\$	(218,505)	\$ 115,023

See accompanying notes to financial statements.

PERPETUAL SECURITIES, INC.

NOTES TO FINANCIAL STATEMENT FOR THE YEAR ENDED JUNE 30, 2002

1. ORGANIZATION

Perpetual Securities, Inc. (the "Company") was incorporated in the State of New York in August 1994. The Company is a registered broker-dealer under the Securities Exchange Act of 1934 and is a member of the National Association of Securities Dealers, Inc. ("NASD").

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Securities transactions

Securities transactions are recorded on a trade date basis. Investment banking fees and expenses are recorded on an accrual basis.

Property, equipment and depreciation

Property and equipment are stated at cost. The cost of property and equipment is depreciated over the estimated useful lives of the related assets. Depreciation is computed on the straight-line method for both financial reporting and income tax purposes.

Income taxes

The Company accounts for income taxes in accordance with Statement of Financial Accounting Standards ("SFAS") No. 109, "Accounting for Income Taxes," which requires the recognition of deferred income taxes for differences between the basis of assets and liabilities for financial statement and income tax purposes. Deferred tax assets and liabilities represent the future tax consequence for those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. Deferred taxes, at June 30, 2002 in the amount of \$107,835, was recognized for operating losses that are available to offset future taxable income.

PERPETUAL SECURITIES, INC.

NOTES TO FINANCIAL STATEMENT FOR THE YEAR ENDED JUNE 30, 2002

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of estimates in preparation of financial statements

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair value of financial instruments

SFAS No. 107, "Disclosures about Fair Value of Financial Instruments," requires disclosure of fair value information about financial instruments, whether or not recorded in the statement of financial condition. The Company's assets and liabilities are largely carried at fair value or contracted amounts which approximate fair value. Assets consist of receivable from clearing organization and securities owned. Liabilities consist of subordinated liabilities, loans from stockholders, and certain payables.

3. SECURITIES

In accordance with SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities," the Company has classified its securities into "Trading Securities." Trading securities are reported at market value. Unrealized gains and losses on securities are charged or credited to current earnings and are included in trading losses, net.

Securities at June 30, 2002 consist of common stocks, traded on the New York Stock Exchange, and are recorded net of unrealized losses of \$55,328.

PERPETUAL SECURITIES, INC.

NOTES TO FINANCIAL STATEMENT FOR THE YEAR ENDED JUNE 30, 2002

4. PROPERTY AND EQUIPMENT

The useful lives of property and equipment for purposes of computing depreciation are:

Furniture and fixture	5-7 years
Computer and equipment	5 years

Depreciation expense, relating to property and equipment, charged to operations for the year ended June 30, 2002 was \$30,282.

5. LOANS FROM STOCKHOLDERS

Loans from stockholders, representing advances from stockholders, are non-interest bearing and due on demand.

6. LIABILITY SUBORDINATED TO THE CLAIMS OF GENERAL CREDITORS

The Company has entered into subordinated loans agreement with its stockholders in the amount of \$220,000. The loans allow for prepayment of all or any part of the obligation at the option of the Company and upon receipt of prior written approval of the NASD. The loans are non-interest bearing and will mature in various years through 2006.

The agreements covering the subordinated borrowing have been approved by the NASD and are thus available in computing net capital pursuant to Rule 15c3-1 under the Securities Exchange Act of 1934. To the extent that such borrowings are required for the Company's continued compliance with net capital requirements, it may not be repaid.

PERPETUAL SECURITIES, INC.

NOTES TO FINANCIAL STATEMENT FOR THE YEAR ENDED JUNE 30, 2002

7. LEASES

The Company leases its offices under operating leases expiring in various years through 2011. Future minimum rental payments under the leases are approximated as follows:

Year Ending June 30,	Annual Rental
2003	\$ 53,000
2004	49,000
2005	50,000
2006	52,000
2007	53,000
Thereafter	173,000
	<hr/>
	\$ 430,000

Certain operating leases provide for renewal options for a period of three years at their fair market value at the time of renewal. In the normal course of business, operating leases are generally renewed or replaced by other leases. Rent expense charged to operations for the year ended June 30, 2002 was \$89,169.

8. NET CAPITAL REQUIREMENTS

As a registered broker-dealer, the Company is subject to the Uniform Net Capital Rule (Rule 15c3-1) under the Securities Exchange Act of 1934. The Company computes its net capital using the aggregate indebtedness standard method, which requires the maintenance of minimum net capital of \$100,000 and requires the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. At June 30, 2002, the Company had a net capital of \$149,423, which was \$49,423 in excess of its required capital.

PERPETUAL SECURITIES, INC.

NOTES TO FINANCIAL STATEMENT FOR THE YEAR ENDED JUNE 30, 2002

9. INCOME TAXES

The provision (benefit) for income taxes for the year ended June 30, 2002 consists of the following:

State and City income taxes	455
Deferred income taxes	(45,143)
	<hr/>
	\$ (44,688)

The Company has available at June 30, 2002, unused operating loss carry-forward of approximately \$325,000, expiring in various years through 2017.

10. FINANCIAL INSTRUMENTS WITH OFF BALANCE SHEET RISK

The Company introduces all customer transactions in securities traded on U.S. securities markets to another New York Stock Exchange member firm on a fully-disclosed basis. The agreement between the Company and its clearing broker provides that the Company is obligated to assume any exposure related to non-performance by customers or counterparties.

The Company's exposure to credit risk associated with the non-performance of customers and counterparties in fulfilling their contractual obligations pursuant to these securities transactions can be directly impacted by volatile trading markets which may impair the customer's or counterparty's ability to satisfy their obligations to the Company. In the event of non-performance, the Company may be required to purchase or sell financial instruments at unfavorable market prices resulting in a loss to the Company. The Company does not anticipate non-performance by customers and counterparties in the above situations.

PERPETUAL SECURITIES, INC.

COMPUTATION OF NET CAPITAL FOR BROKERS AND DEALERS PURSUANT TO RULE 15c3-1 UNDER THE SECURITY EXCHANGE ACT OF 1934 JUNE 30, 2002

NET CAPITAL:

Total stockholders' equity	\$	115,023
Add subordinated liabilities		220,000
		<hr/>
Total capital and allowable liabilities		335,023
		<hr/>
Deductions and /or charges :		
Non-allowable assets		
Furniture and equipment, net		72,664
Deferred income taxes		107,835
Other assets		4,859
		<hr/>
		185,358
		<hr/>
Net capital before haircuts on securities positions		149,665
Haircuts on securities:		
Corporate stocks		242
		<hr/>
NET CAPITAL	\$	149,423
		<hr/>
AGGREGATE INDEBTEDNESS:		
Accounts payable	\$	7,558
Loans from shareholders		34,712
		<hr/>
TOTAL AGGREGATE INDEBTEDNESS	\$	42,270
		<hr/>
COMPUTATION OF BASIC CAPITAL REQUIREMENT:		
Minimum capital required	\$	100,000
		<hr/>
Excess net capital at 1500%	\$	49,423
		<hr/>
Ratio: Aggregate indebtedness to net capital		0.28 to 1
		<hr/>

PERPETUAL SECURITIES, INC.

**COMPUTATION OF NET CAPITAL FOR BROKERS AND DEALERS PURSUANT TO
RULE 15c3-1 UNDER THE SECURITY EXCHANGE ACT OF 1934 (continued)
JUNE 30, 2002**

**RECONCILIATION WITH COMPANY'S COMPUTATION (included in Part IIA
of Form X-17A-5 as of June 30, 2002)**

Net capital, as reported in Company's Part IIA (unaudited)		
FOCUS report	\$	157,218
Overstatement in non-allowable assets, furniture & equipment, net		21,848
Understatement in non-allowable assets, other assets		(45,143)
Net audit adjustments		15,500

NET CAPITAL PER ABOVE	\$	149,423
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The Company is exempt from the provisions of 15c3-3 under Securities Exchange Act of 1934 as set forth in the conditions for exemption in paragraph (k)(2)(ii).



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Board of Directors and
Stockholders of
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In planning and performing our audit of the financial statements of Perpetual Securities Inc. for the year ended June 30, 2002, on which we issued our report dated August 27, 2002, we considered its internal control structure, including procedures for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

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Also, as required by Rule 17a-5(g)(1) under the Security Exchange Act of 1934, we have made a study of the practices and procedures (including tests of compliance with such practices and procedures) followed by the Company that we considered relevant to the objectives stated in Rule 17a-5(g), in making the periodic computation of aggregate indebtedness and net capital under Rule 17a-3(a)(11) and the procedures for determining compliance with the exemptive provisions of Rule 15c3-3. The Company was in compliance with the conditions of the exemption and no facts came to our attention to indicate that such conditions had not been complied with during the period. We also made a study of the practices and procedures followed by the Company in making the periodic computations of aggregate indebtedness and net capital under Rule 17a-3(a)(11) and the procedures for determining compliance with the exemptive provisions of Rule 15c3-3. We did not review the practices and procedures followed by the Company in making the quarterly securities examinations, counts, verifications and comparisons, and the recordation of differences required by Rule 17a-13 or in complying with the requirements for prompt payment for securities under Section 8 of Regulation T of the Board of Governors of the Federal Reserve System, because the Company does not carry security accounts for customers or perform custodial functions relating to customer securities.

The management of the Company is responsible for establishing and maintaining an internal control structure and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the Securities and Exchange Commission's above-mentioned objectives. Two of the objectives of an internal control structure and the practices and procedures are to provide management with reasonable, but not absolute, assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or

disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in any internal control structure or the practices and procedures referred to above, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weakness under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving the internal control structure, including procedures for safeguarding securities, that we consider to be material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the Commissions to be adequate for their purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at June 30, 2002, to meet the Commission's objectives.

This report is intended solely for the use of the board of directors, management, the Securities and Exchange Commission, the National Association of Securities Dealers, Inc., and other regulatory agencies that rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers and should not be used for any other purposes.

Wei Wei & Co. LLP

August 27, 2002